

Activity Description

The Fleet and Surplus Service Division (FSS) supplies vehicles to state programs and political subdivisions for use in the conduct of official business. Fleet Services supplies support services for these vehicles including maintenance support, fuel, and insurance. FSS oversees the disposal of state, federal, and local government vehicles and other surplus property using methods that ensure the best value is returned to the state.

Population Served

Fleet Services provides vehicles to all branches of state government and to political subdivisions including cities, counties, and school districts. Surplus Services serves a population including state agencies, political subdivisions, various nonprofit organizations, and the public.

Services Provided

The division provides a mix of direct services and compliance activities.

- ◆ Fleet Services operates a long-term rental program providing a wide variety of passenger vehicles and light trucks. These vehicles are packaged with vehicle services to provide a complete, easy to use transportation solution.
- ◆ Surplus manages the disposal of state and federal surplus property.
- ◆ Surplus provides assistance to local units of government in the disposal of their surplus property.

Historical Perspective

Fleet Services was established in 1961 to help state agencies effectively meet transportation needs. It has grown and evolved over the years to more effectively address the changing needs of state government. Fleet Services has expanded the types of vehicles provided, moving into a greater variety of light trucks. Vehicle life cycles are now monitored closely and tailored to better meet varying customer work requirements.

The Federal Surplus Property (FSP) Program was created and operates under the Federal Property and Administrative Services Act of 1949, as amended. Authority was established by an act of the state legislature, first enacted as Minnesota Session Laws of 1957, Chapter 808, which became effective 7-1-57. The FSP Program and State Surplus Property (SSP) Program were combined on 7-1-86 in an effort to maximize resources.

The Surplus Services unit merged with the Fleet Services unit in FY 2008 to become a single division within Administration. This merger opens many new opportunities for both units. The merger will promote efficient and effective operations. The combined unit co-located to a state-owned facility in Arden Hills in FY 2009, saving the cost of leasing facilities. This co-location will provide opportunities to streamline operations and share support services.

Key Program Goals

To provide our customers with valuable services, products, advice, and expertise:

- ◆ Fleet Services provides state agencies a service that furnishes customers with a complete vehicle package including acquisition, insurance, maintenance/repair, fuel, and disposal. Providing this complete service allows agency customers to focus more attention on their core missions and less attention on transportation support service issues.

Activity at a Glance

- ◆ Provides state programs and political subdivisions with long-term rental vehicles and vehicle support services including fuel, insurance, and maintenance/repair.
- ◆ Assists state agencies and political subdivisions with fleet management planning, implementation, and ongoing review.
- ◆ Coordinates with other state agencies to implement consistent, cost effective fleet management practices throughout the state.
- ◆ Provides state agencies with guidelines and assistance in the disposal of surplus property.
- ◆ In FY 2008, returned in excess of \$7 million to agencies through auction sales and distributed federal surplus property valued at nearly \$1.8 million.

ADMINISTRATION DEPT

Program: GOVT AND CITIZEN SERVICES

Activity: FLEET AND SURPLUS SERVICES

Narrative

- ◆ Surplus Services will provide information and recommendations for the correct method of disposal to obtain the greatest return for the agency while addressing environmental objectives. Surplus Services offers flexibility to state agencies and local units of government by offering several disposal methods for surplus items.
- ◆ The Auction Program returns needed revenue to participating state agencies and local units of government to aid them in replenishing their equipment budgets. In the current economic climate, organizations are turning more to Surplus Services for used equipment to meet their property needs, since dollars are limited and purchasing new may not be a viable option.

To reduce costs by working across government:

- ◆ The physical co-location of the new Fleet and Surplus Services Division enhances efficient sale of used vehicles. Vehicles will no longer need to be moved from the Fleet Services site to the Surplus Services site for disposal. In the past vehicles have been transported between locations prior to live auctions. Co-location will allow vehicles to be offered for sale as soon as they are physically present at the co-located site. Vehicle sales include on-line auctions as well as live auctions.
- ◆ While the merger of these two units is primarily an end-to-end merger, with each unit doing unique work, there will be opportunities for combining some of the activities of the units. Financial support, IT support, and clerical support, along with the combined facility support, are all areas that are candidates for improved efficiency and cost effectiveness.

To offer a safe environment where people thrive and enjoy their work:

- ◆ Building restoration at the Surplus Services building provides a clean, safe environment accommodating both the Fleet and Surplus operations.

Key Measures

Fleet Services strives to keep state fleet equipment in good operating condition and available for use. Fleet Services has tracked vehicle out-of-service time over the last year. Fleet vehicles have been available for use over 98% of the time.

Fleet Services reviews the use patterns and corresponding life cycles for state agency leased vehicles. Fleet Services recommends lease changes to the agencies to better align vehicle use with assigned life cycle.

Fleet Services monitors and reports the amounts of alternative fuel used by state agencies.

Surplus Services tracks the effectiveness in reuse of government property by ensuring recycled surplus property meets both environmental and fiscal objectives.

Activity Funding

Fleet Services operates as an internal service fund. Surplus Services operates as an enterprise fund. No money is appropriated to FSS from the state's general fund.

As of 7-01-2008, Fleet Services had 10.5 full-time employees.

General Fund Loans:

General Fund loans are used to refinance the master lease so that the repayment schedules work within Fleet Services' cash flow constraints. Fleet Services purchases new vehicles on a regular replacement schedule throughout the year. Cash flow issues arise due to the need to pay for the purchase of fleet vehicles when received, but receiving reimbursement for use of the vehicle over an extended period of time. Fleet Services' general fund loan balance as of 6-30-08 is \$1,750,000 with payments scheduled through March 2009.

Operating Losses/Increases in Retained Earnings:

FY 2008 retained earnings increased by approximately \$448,000. Increased retained earnings are used to improve cash flow and reduce general fund debt.

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Narrative

History of Rate Changes:

Fiscal Year	2005	2006	2007	2008	2009
Change	5.4%	4.3%	3.5%	3.5%	0%

Vehicle rates are calculated on an individual vehicle basis, taking into account acquisition cost, fuel economy, and life cycle. This rate structure offers Fleet Services customers flexibility in managing vehicle expenses. Rates are designed to charge fairly for many different vehicle types, sizes, and uses. Along with improving customer satisfaction, this enables Fleet Services to keep better pace with costs in the automotive industry.

Impact of Rate Changes:

Assuming the same volume and mix of goods/services as used in FY 2008, Fleet Services' customers will pay no more in FY 2009 since rates did not change.

Contact

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ADMINISTRATION DEPT
Program: GOVT AND CITIZEN SERVICES
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Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	113	5	4	0	4
Central Motor Pool	16,237	15,519	15,629	15,901	31,530
Materials Distribution	1,617	1,588	1,470	1,386	2,856
Total	17,967	17,112	17,103	17,287	34,390
<u>Expenditures by Category</u>					
Total Compensation	1,143	1,287	1,296	1,334	2,630
Other Operating Expenses	15,338	14,795	15,757	15,903	31,660
Capital Outlay & Real Property	1,147	870	50	50	100
Other Financial Transactions	339	160	0	0	0
Total	17,967	17,112	17,103	17,287	34,390
Full-Time Equivalents (FTE)	17.3	18.8	18.8	18.8	